PitchBook

NATIONAL VENTURE CAPITAL ASSOCIATION

Venture Monitor

4Q 2016

Late-stage capital no longer easy money as activity and median deal size fall in 2016
Page 8

88% of VC funds close on target, near $42B is raised during 2016
Pages 17-18

Expanded league tables for 4Q deals, investors, exits and more
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The definitive quarterly review of the US venture capital ecosystem and trends.

PitchBook

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Executive Summary

Through the first half of 2016, venture investment activity in the US seemingly continued the frenetic pace of 2015, which was a headline year for the industry. However, a slowdown in VC investment activity began in the third quarter that continued into the fourth quarter when just $12.7 billion was deployed to 1,736 companies. Nonetheless, 2016 ended with a total of $69.1 billion invested into the US venture ecosystem, representing the second highest annual total—after 2015—in the past 11 years. More than 7,350 companies raised capital across 8,136 deals in 2016, with both measures reverting toward 2012 annual levels.

The decrease in 2016 venture investment activity was somewhat expected, given the high activity levels reached in late 2014 and 2015. Driven by an updraft in valuations, the number of deals during this period escalated, creating indigestion in the marketplace for some. As a result, 2016 represented less of a slowdown and more of a return to normalization. Venture investors are now circling back to tried and true ways of deploying capital and being much more critical of their investment options. Going into 2017, the question remains whether venture investment activity has plateaued, or if it will continue to downshift.

It was against this backdrop of a return to normalcy that the venture industry notched its best fundraising year of the past decade in 2016. Each quarter of 2016 saw strong fundraising totals, with the $13.6 billion raised during the second quarter being the standout. In the fourth quarter, venture investors raised $7.3 billion across 50 funds, bringing the annual total to $41.6 billion raised across 253 funds.

Despite the 10-year high for capital raised by venture funds, the total number of funds closed in 2016 declined slightly for the second straight year. The cyclical nature of venture capital fundraising, evidenced by a number of larger venture firms coming back to market and closing $1 billion+ funds, coincided with more capital being managed by fewer funds, leading to an increasing concentration of capital in the industry. Seven firms raised $1 billion+ venture funds in 2016, accounting for more than 23% of the total capital raised. Given how strong fundraising was in 2016, it will be telling to see how the fundraising environment shakes out in 2017, especially for smaller funds and new managers who may encounter a challenging climate.

In the face of a strong year for fundraising, the exit environment remained a challenge. Corporate acquisitions continued to account for the largest proportion of venture-backed liquidity events in 2016, and the IPO window remained narrow for venture-backed companies. In the fourth quarter, seven venture-backed companies went public, bringing the total for the year to 39, which is half the number of IPOs from 2015 and the lowest completed since 2009, when there were only 10 venture-backed IPOs in the wake of the financial crisis.

Looking to 2017, there is widespread hope that the IPO market will finally thaw. With around 20 venture-backed companies currently in IPO registration, there is optimism for a strong 2017. Though the quantity and quality of companies in the pipeline remains high, the execution of those IPOs may pose a challenge, especially for companies that have valuations that might not be easily supported in the public markets. While there is optimism for a strong year of IPO activity, M&A activity will likely remain robust with plenty of cash on corporate balance sheets and expectations of a Republican-controlled Washington fulfilling its pledge to reform the corporate tax code.

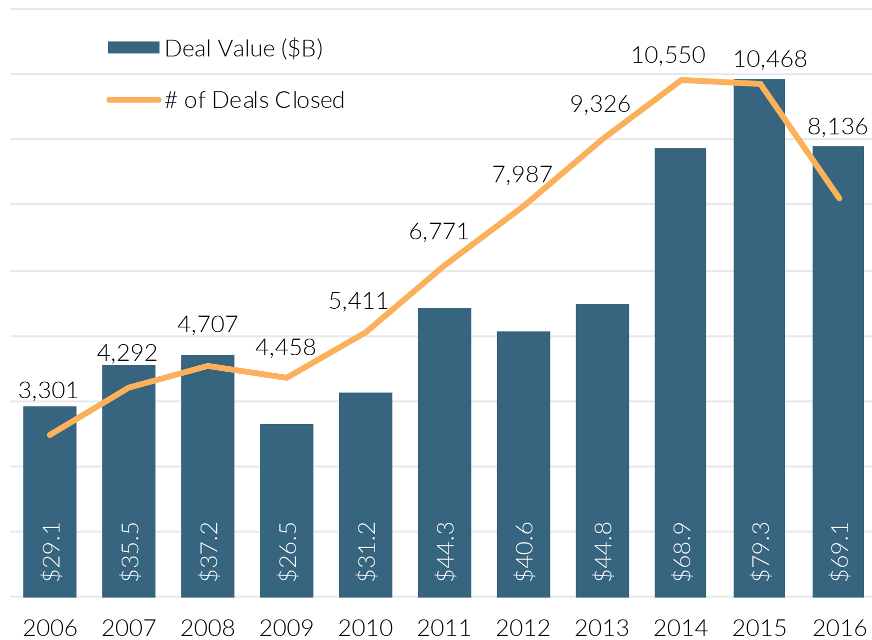
In spite of the slowdown in venture investment activity in the second half of 2016 and questions surrounding the IPO environment for venture-backed companies, there remains much to be optimistic about in 2017. Venture investors will continue to invest in and unlock new innovations that will transform our society and strengthen our economy. Many venture investors forecast 2017 being categorized as "the rise of the machine" with an increased emphasis on investment in artificial intelligence, robotics, drones and machine learning. In fact, many investors will increasingly experiment in "exploratory sectors" to determine what trends they can learn from, as they realize that to make interesting, disruptive investments, they need to look beyond what they are already doing.

Overview

The 2016 venture environment remained relatively healthy. Deal count and aggregate transaction value for the year did decline from the numbers seen over the previous two years, but whereas the froth in 2014 and 2015 were forged by mega-rounds and new unicorns, 2016 saw investment pace return to a more manageable level, yet private valuations certainly didn't decrease. Deal sizes grew or stayed flat across the board during the year keeping deal value high on a relative basis, however, excessive fundings were few and far between—there were 40% fewer $100 million+ rounds completed in the US during 2016 (59) than in 2015 (98). Much of the dialogue throughout the year focused on investors setting higher benchmarks for startups as the search for deals went beyond simply growth metrics and back to core fundamentals. Moreover, easy capital that was available during the past couple years became much tougher to raise, resulting in even well-funded companies looking to preserve their capital runway.

While activity drops, VC invested remains strong

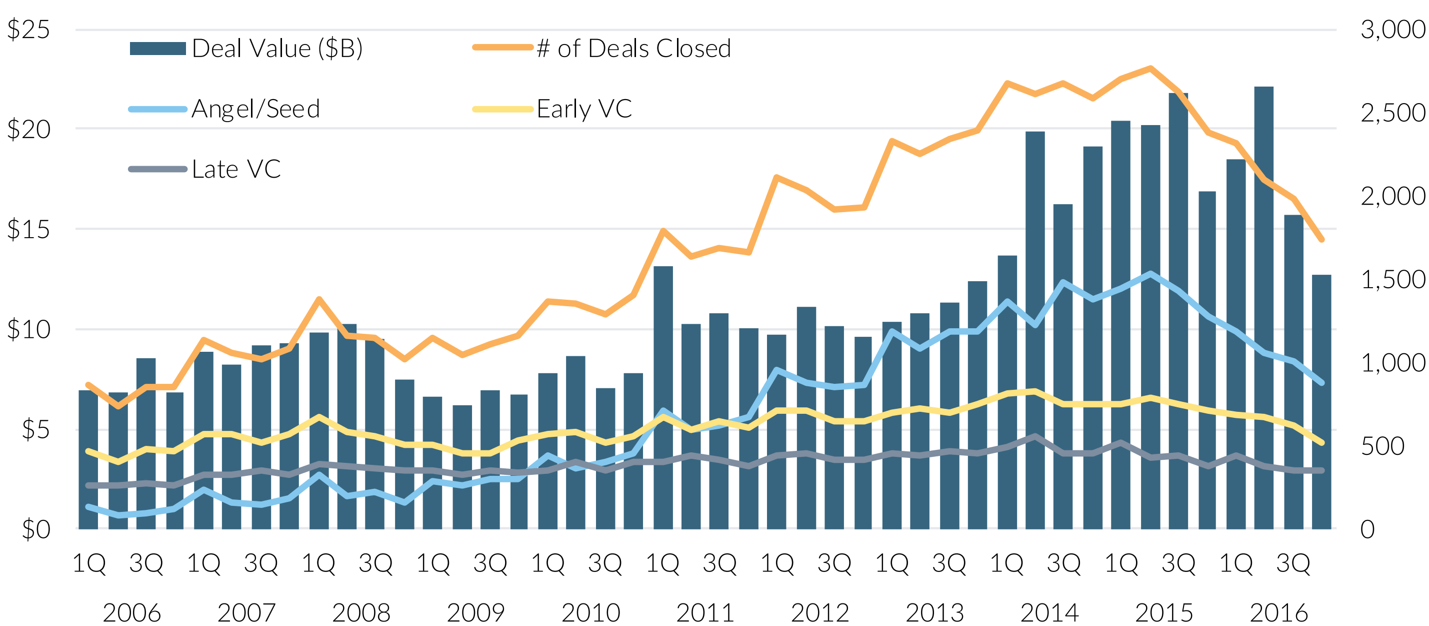
US VC activity by year



Source: PitchBook

Venture activity declines further in 4Q as industry continues normalization

US VC activity by quarter

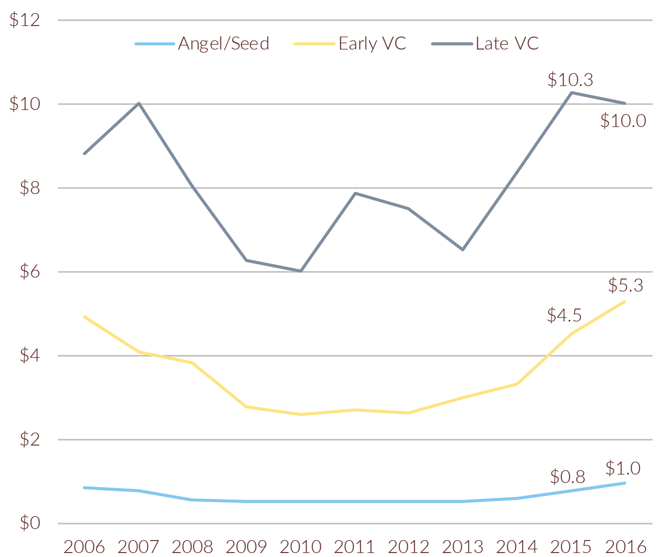


Source: PitchBook. Note: Uber's financings in the first half of 2016 were collated into one super round in 2Q 2016 according to PitchBook methodology.

4Q marked the sixth consecutive quarter in which we saw completed VC fundings decline as activity continued its steady slide back to 2012 levels. While much of that decline can be traced to seed/angel deals, which have fallen by 665 deals (43%) during that time, no stage has been exempt from a fall in deal activity. Further, early-stage activity in 4Q came in at the lowest level since 2012, while late-stage deal count dropped to its lowest point since 2009. But where the number of deals has declined, the capital deployed into those deals, and that available to be put to work has somewhat filled the void, as investors shift toward a focus on somewhat more sustainable investment techniques.

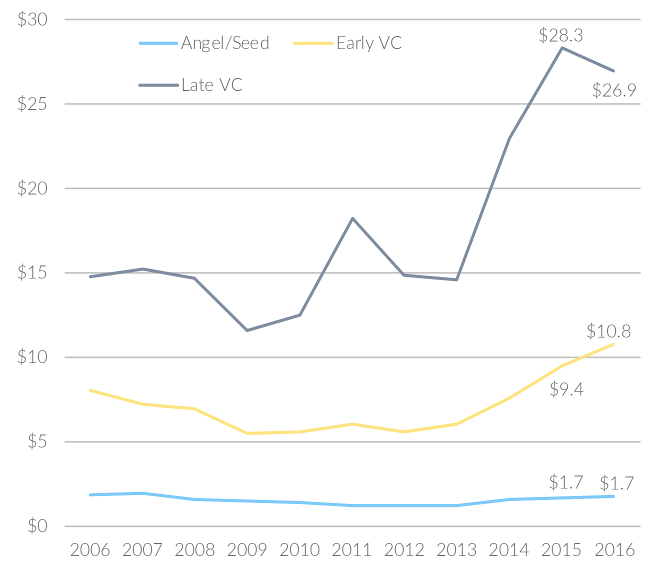
To be fair, the venture industry has several hurdles directly in front of it. An uncertain economic environment, coupled with looming change in US trade policy is sure to have an effect on venture funding and exits, though to what extent is to be determined. Until actualization of those policies, current dynamics in the venture industry will still result in a regression to the mean.

Median VC round size ($M) by stage



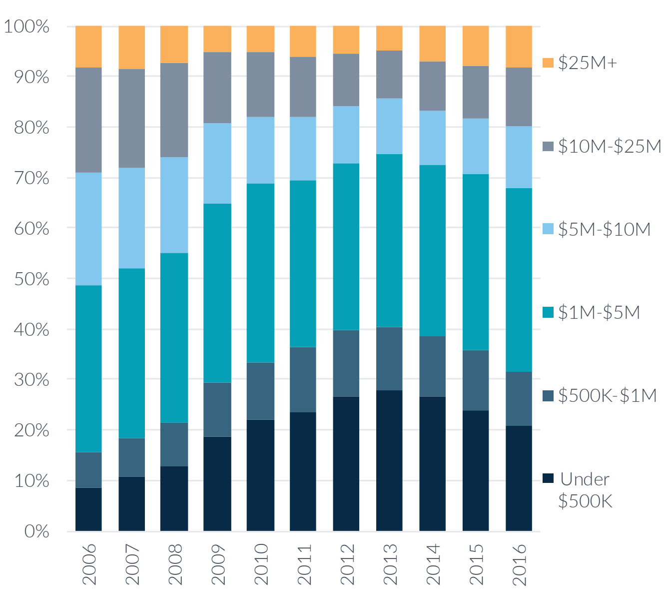
Source: PitchBook

Average VC round size ($M) by stage



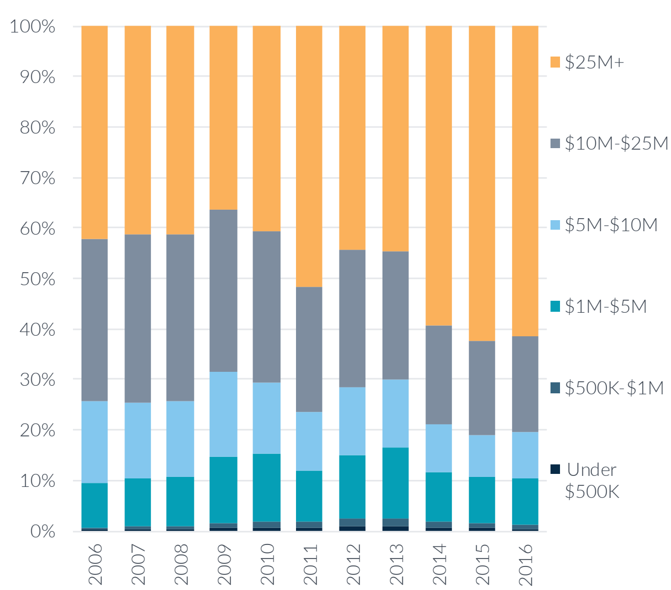
Source: PitchBook

US VC activity (#) by size



Source: PitchBook

US VC activity ($) by size



Source: PitchBook

Angel & seed stage moving through transition

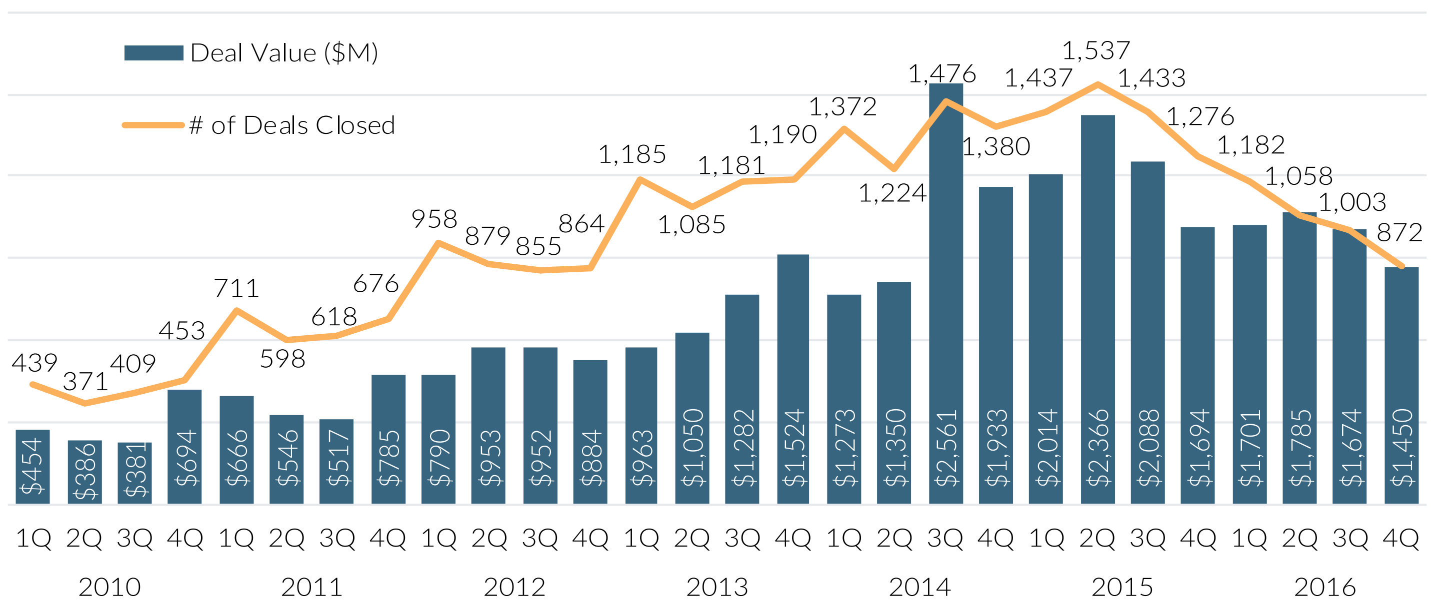
Angel & seed activity in the US

2016 saw more than $6.6 billion invested across approximately 4,115 angel/seed funding rounds, reflecting noticeable year-over-year (YoY) declines of roughly 19% and 28%, respectively. On a quarterly basis, total capital invested throughout 2016 certainly remained strong relative to historical norms, yet total completed financings did drop to 2012 levels. In contrast to the decline we saw in funding activity, median angel and seed round sizes jumped approximately 11% and 50%, respectively, compared to 2015. In fact, more than 42% of all angel/seed rounds we tracked came in at between $1 million and $5 million, the highest proportion in more than 10 years.

For the first time in at least a decade, total angel activity declined in 2016 as just over 2,500 financings were completed, a 25% YoY decline. This figure is even more notable when considering that 2015 activity in the stage had increased by roughly the same percentage over 2014. The median angel deal size moved up to $600,000 last year, while median valuation simultaneously dipped to $5.4 million.

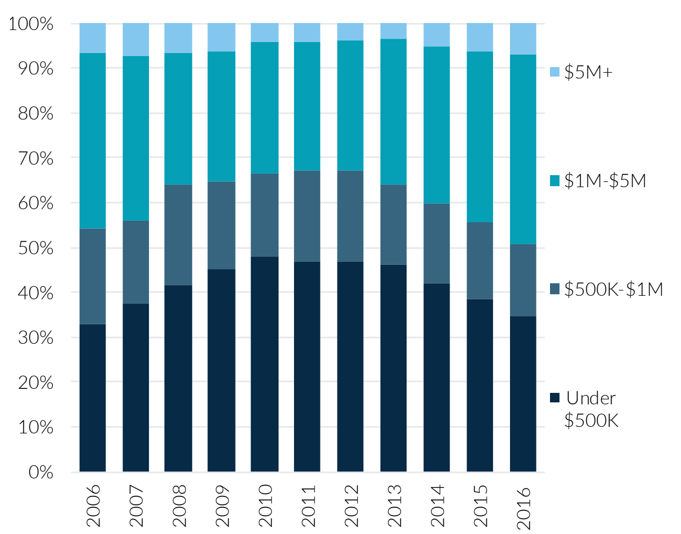
As seed investment continues to shift further into the venture lifecycle, the median seed deal size reached its highest point of the past decade ($1.5 million), eclipsing the previous $1 million record we saw in 2015. Yet moving in the opposite direction of the angel market, valuations of seed deals continued to climb higher, reaching nearly $6 million.

US angel & seed activity by quarter



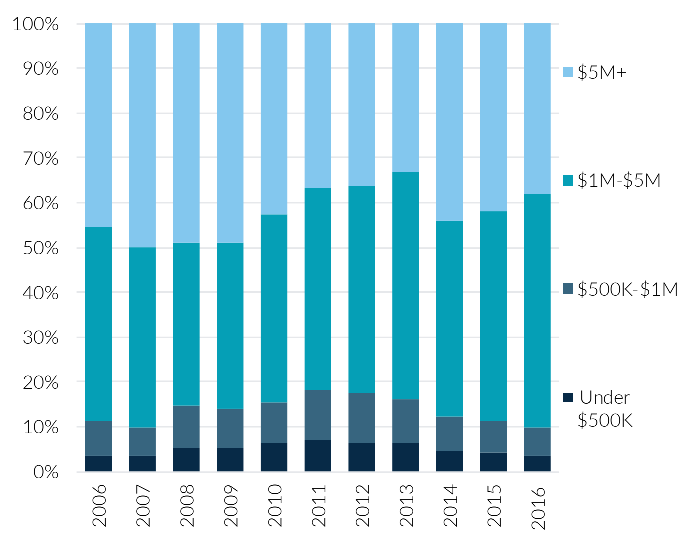
Source: PitchBook

US angel & seed activity (#) by size



Source: PitchBook

US angel & seed activity ($) by size



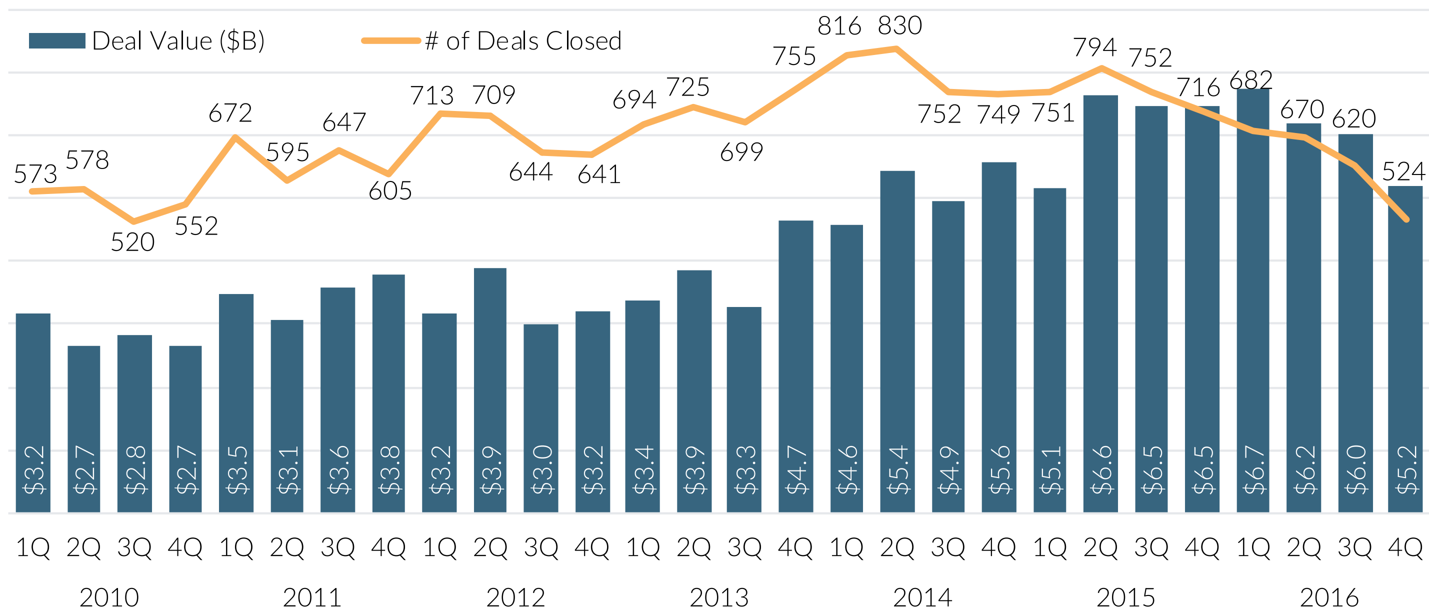
Source: PitchBook

Will 4Q be end of early-stage decline?

US early-stage VC activity

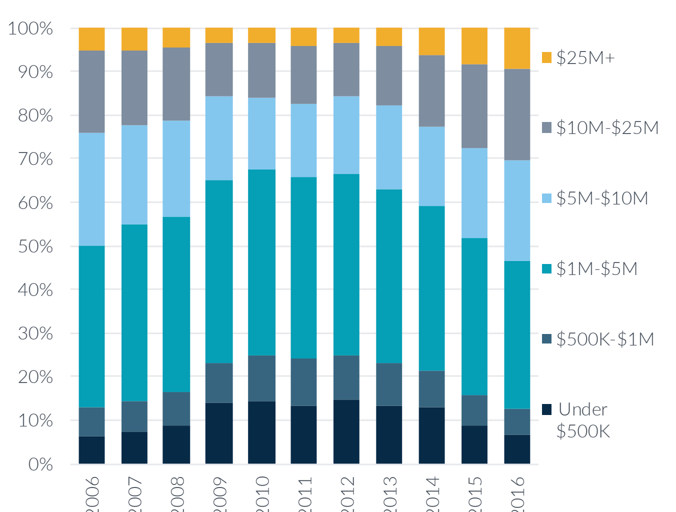
Following a strong early-stage dealmaking environment in 2015, just shy of 2,500 rounds closed during 2016, the lowest count since 2011, with each quarter seeing a subsequent decline in activity. Given the run up in nearly every facet of the venture industry over the last couple of years, the early-stage decline represents a natural regression as investors look to maintain the bandwidth to continue supporting their existing portfolio. Fervent fundraising in 2016 also required considerable attention from managers, forcing them to explore fewer transactions. Further, the last few years have seen a wide range of new sectors—from VR to AI to IoT—that took an additional amount of scrutiny and understanding, lengthening the dealmaking process altogether. While investment activity declined across the early stage, capital invested figures remained strong at $24 billion in 2016. A heavy concentration of that figure ($11.3 billion) did, however, was in rounds of $25 million+, the highest percentage we've recorded over the last 10 years. With capital invested certainly concentrated around fewer deals this year, the further maturation of new industries combined with likely lower fundraising efforts could help underpin transaction volume after a few quarters of declining activity.

US early-stage VC activity by quarter



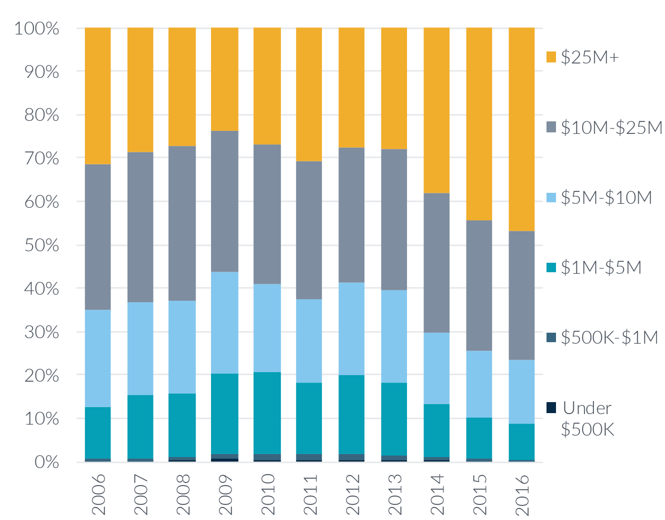
Source: PitchBook

US early-stage activity (#) by size



Source: PitchBook

US early-stage activity ($) by size



Source: PitchBook

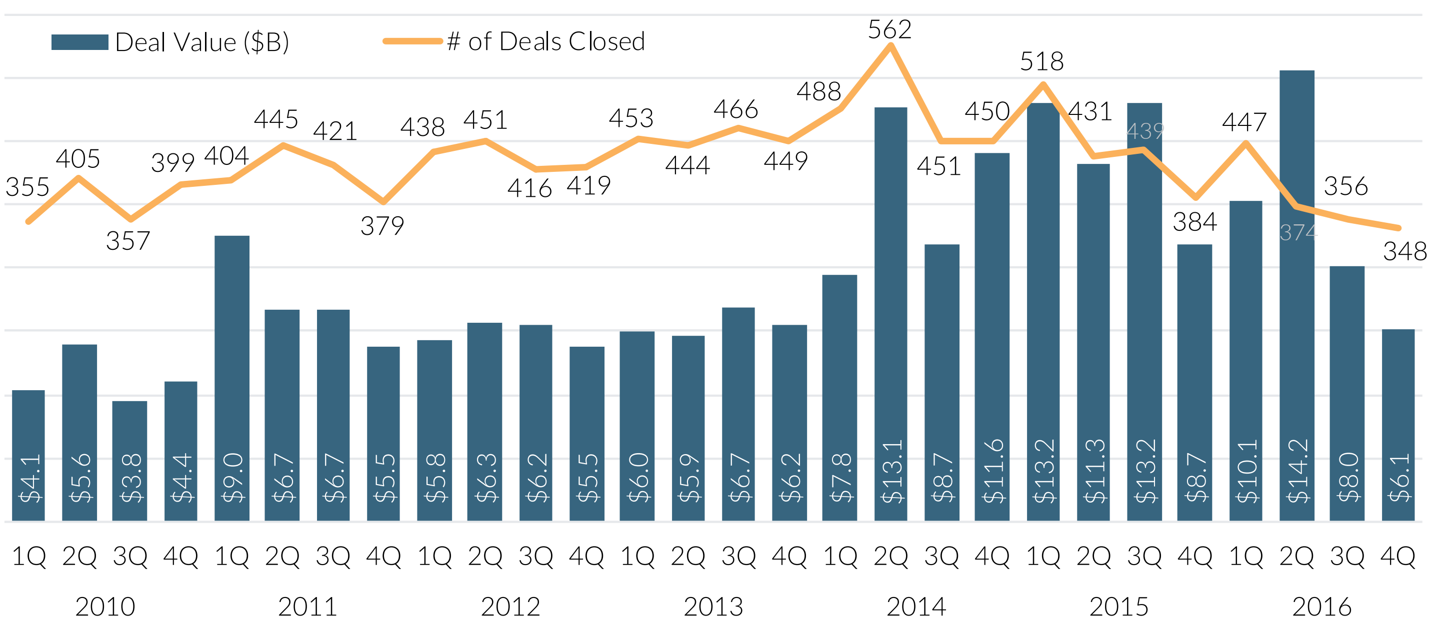
Several hurdles making late-stage investors sweat

US late-stage VC activity

Observably, the late stage has seen a substantial drop off in activity during 2016. Whereas the last couple years have been filled with unicorn fundings and so-called 'private IPOs', 2016 was much more subdued, especially toward the latter end. The median late-stage round fell slightly to $10 million, and while 2Q stands above all others from the last decade in terms of capital invested, a significant amount was generated by just two completed deals for Uber and Airbnb (Uber's financings from the first half were combined into one large-round, according to PitchBook methodology).

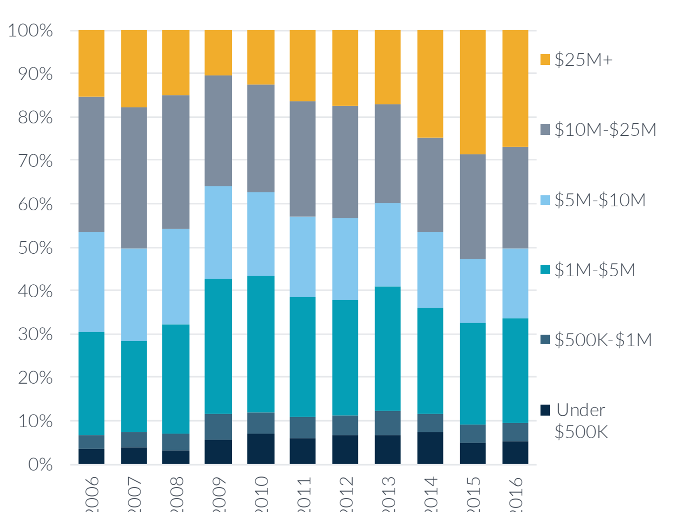
The seemingly easy capital that had been available to companies for several years has somewhat dried up. A sluggish exit market has kept more capital locked away than ever before, causing some VCs to hit the pause button before making more investments. The hopeful rush of unicorns to IPO has yet to materialize, and strategic acquirers were unable to pick up the slack with acquisitions of their own, making the late stage an even more difficult arena to navigate. As growth continues to require more and more capital before an exit can be made, late-stage investors may be looking at much smaller ROIs than in the past, especially as the validity of some valuations has come under scrutiny.

US late-stage VC activity by quarter



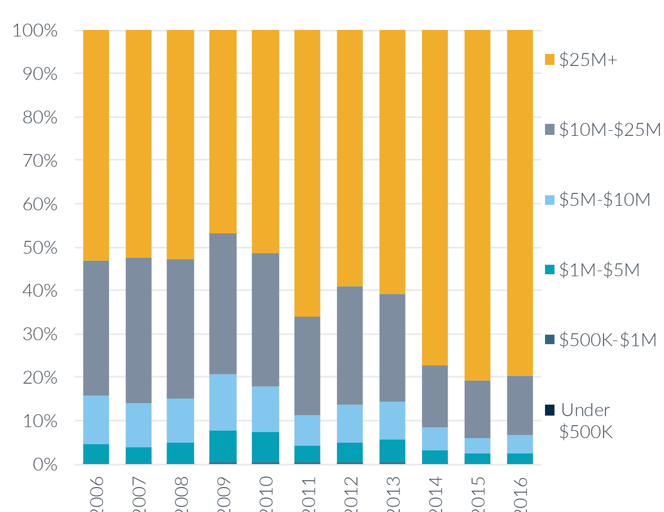
Source: PitchBook. Note: Uber's financings in the first half of 2016 were collated into one super round in 2Q 2016 according to PitchBook methodology.

US late-stage VC activity (#) by size



Source: PitchBook

US late-stage VC activity ($M) by size

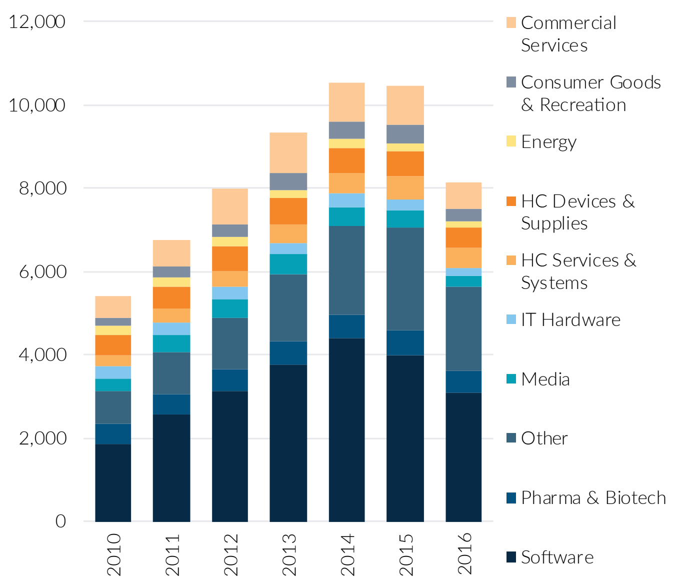


Source: PitchBook

Rounds by sector

No sector spared from decline

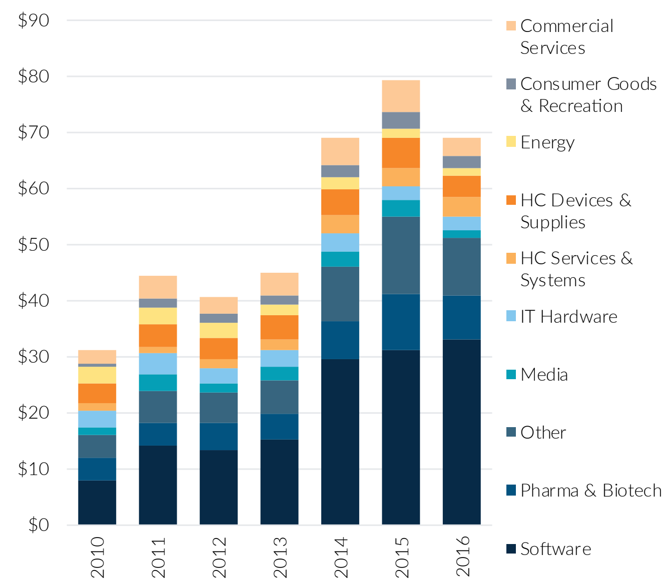
US VC activity (#) by sector



Source: PitchBook

VC invested in software sees uptick

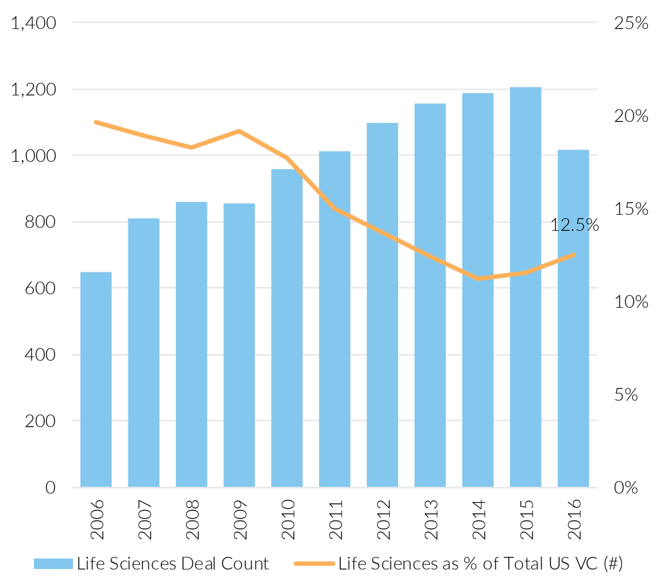
US VC activity ($B) by sector



Source: PitchBook

Life sciences exhibits resilience

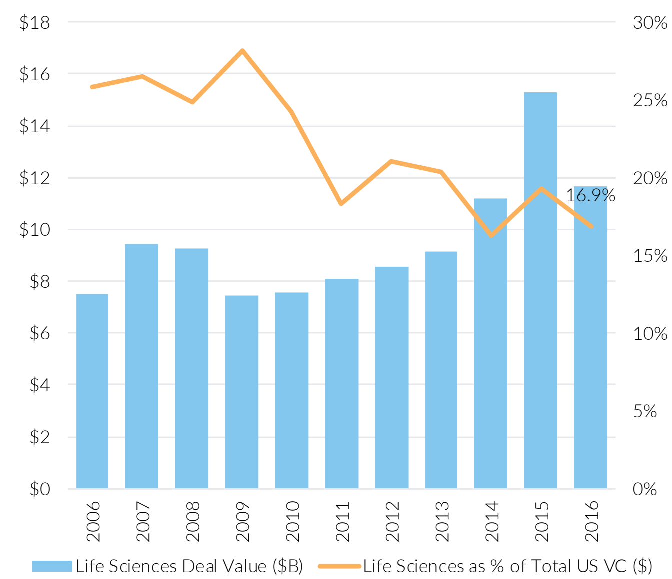
US VC activity (#) in life sciences



Source: PitchBook

VC dollars to life sciences declines

US VC activity ($B) in life sciences



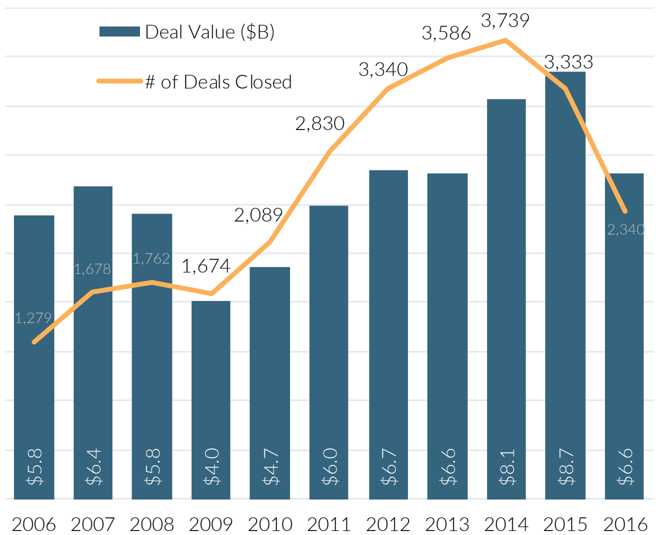
Source: PitchBook

Note: Life sciences is composed of pharma & biotech and healthcare devices & supplies combined together.

First financings

First financing activity takes dip

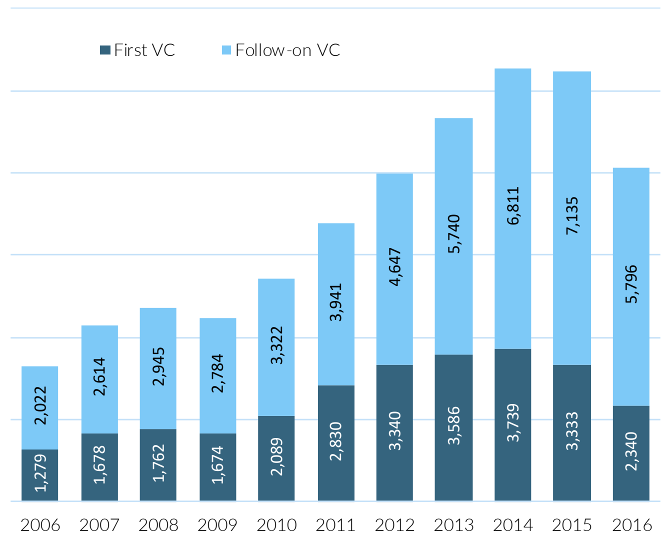
US VC activity (#) in first financings



Source: PitchBook

Follow-ons making up deal majority

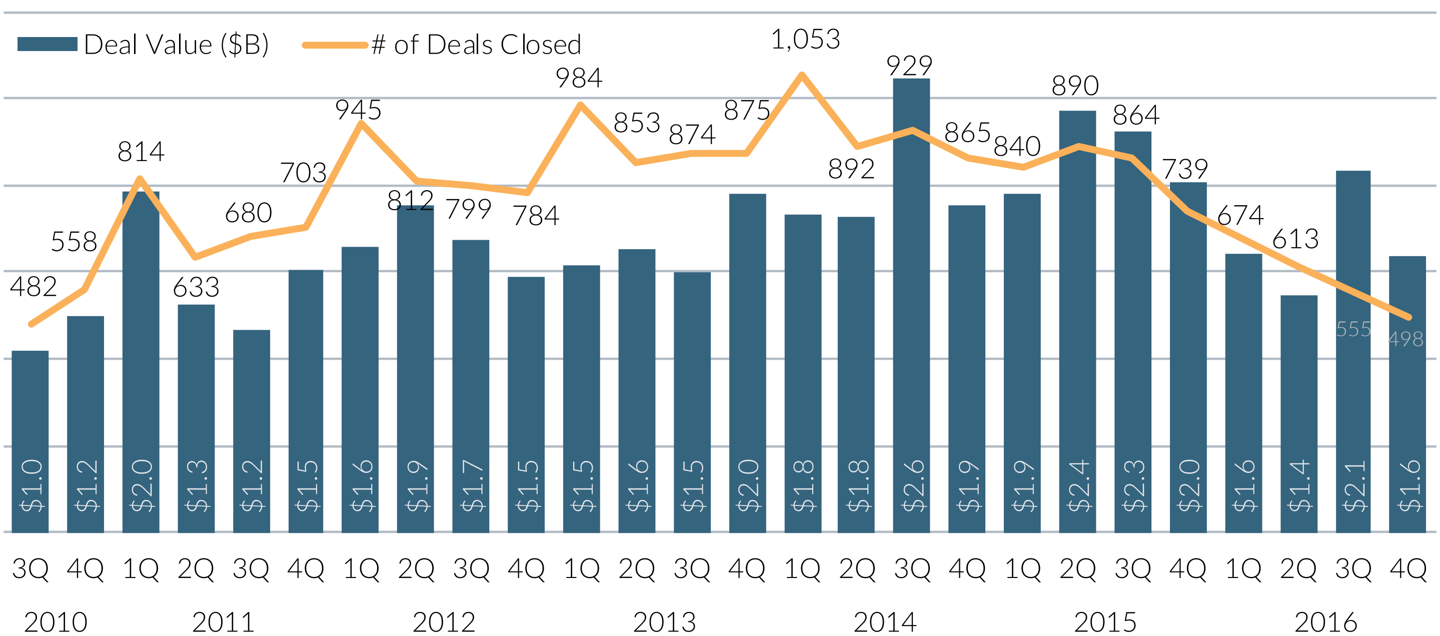
US VC activity (#) by first financing vs. follow-on rounds



Source: PitchBook

Deal count declines for sixth consecutive quarter

US first financing VC activity



Source: PitchBook

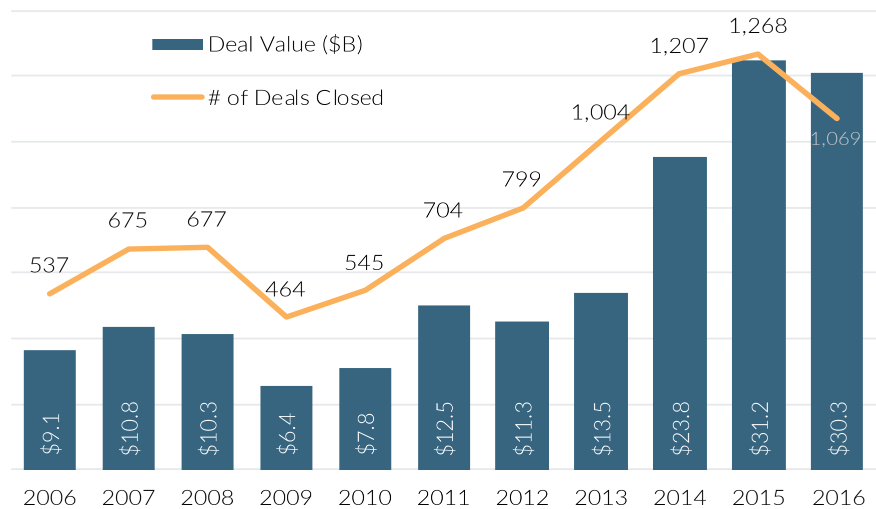
Note: First financings are defined as the first round of equity funding in a startup by an institutional venture investor.

Corporate venture capital

Since 2013, the number of completed VC deals involving corporate VC (CVC) hasn't fallen below 1,000, a barrier that had yet to be exceeded this decade. CVC has continually become a popular way for corporations to invest in new technologies, either through a corporate venture arm, or simply through diverting money directly from their balance sheet. The percentage of all completed VC deals to involve CVC has grown each of the past four years, hitting 13.4% during 2016. An even more telling statistic regarding the growth of CVC, however, may be the number of active corporations during any given year, which has more than doubled since 2009 to 933 in 2016, and has grown in total number each year during that time. Intel, Google and Salesforce are a few of the well-known CVCs, but new entrants into the field this year include Campbell Soup Company, low-cost airline JetBlue and children's programming company Sesame Street, three companies one might not expect to see making VC deals.

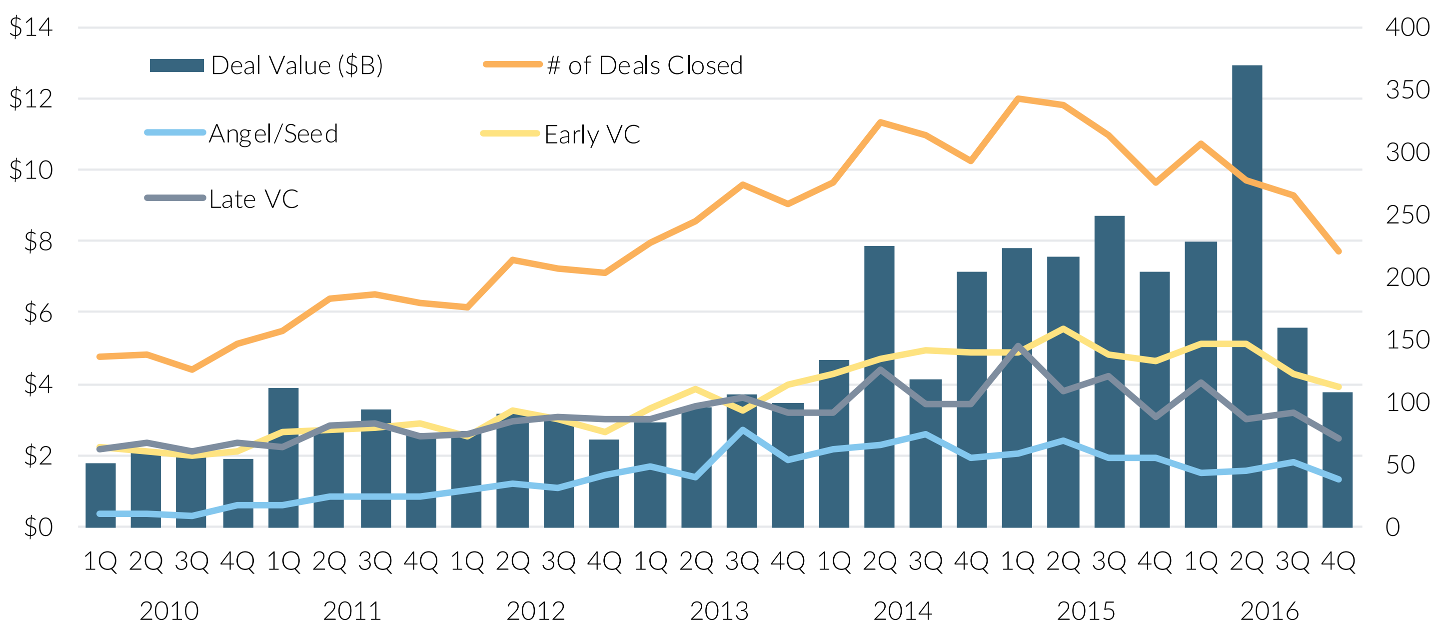
The pace of technological advancement over recent years has pushed corporations to find new paths for innovation. With questions surrounding economic growth, in much the same respect as corporate M&A, venture investing has provided an avenue that in many ways is more cost effective than internal R&D spent toward technology growth. Because the partnership between corporates and startups is so mutually beneficial, we would be remiss to think CVC won't continue to grow at a similar pace.

US venture activity with CVC participation



Source: PitchBook

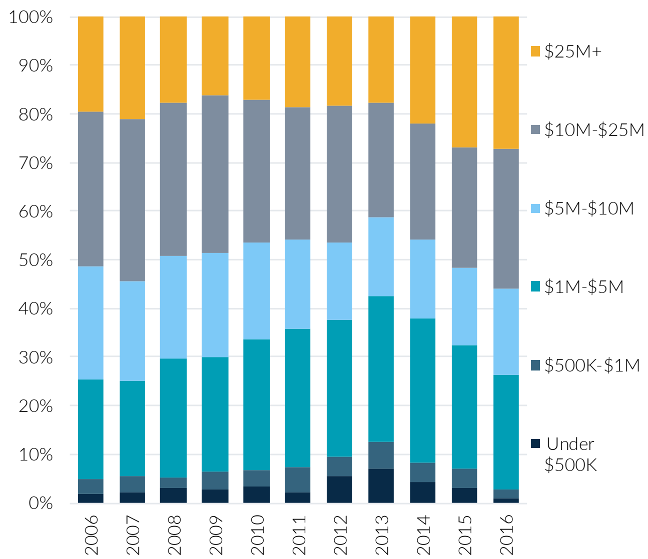
US VC activity with CVC participation



Source: PitchBook

CVC rounds continue size growth

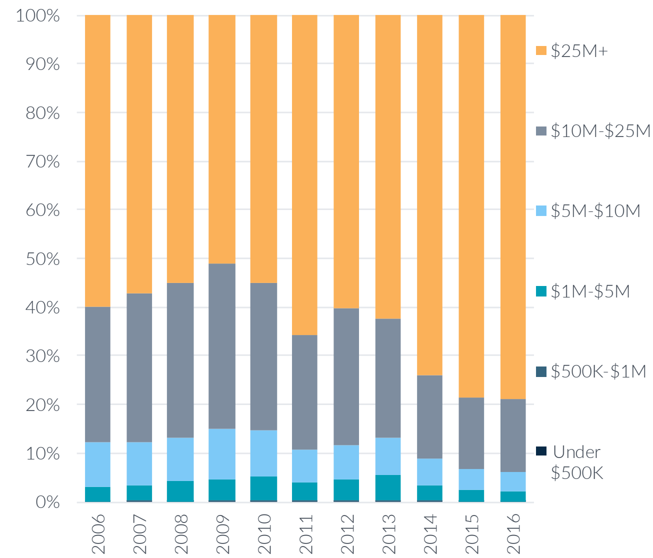
US venture activity (#) with CVC participation by deal size



Source: PitchBook

79% of CVC deals were $25M+ in size

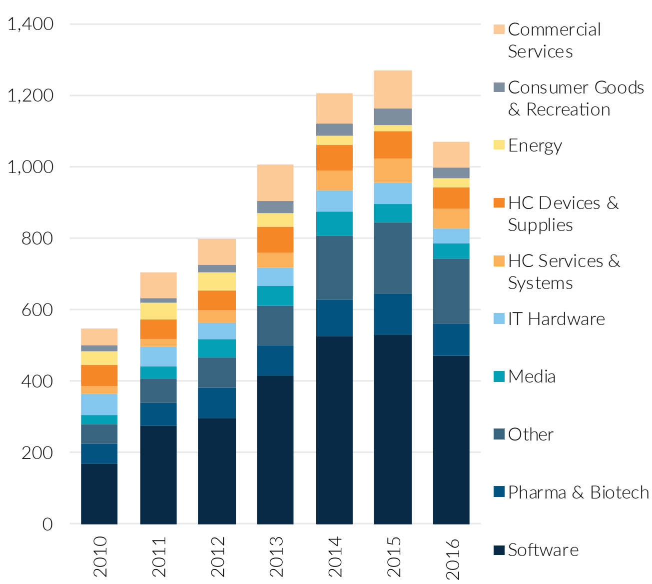
US venture activity ($) with CVC participation by deal size



Source: PitchBook

Overall CVC deal trends remain same

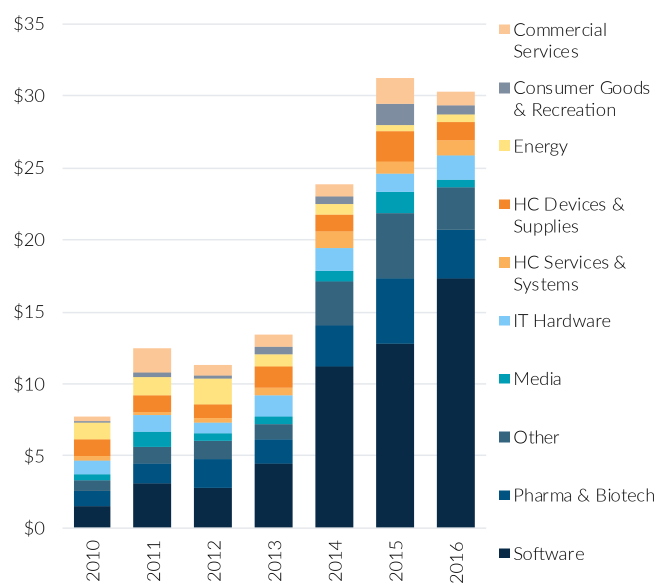
US venture activity (#) with CVC participation by sector



Source: PitchBook

Software sees highest amount of CVC

US venture activity ($B) with CVC participation by sector



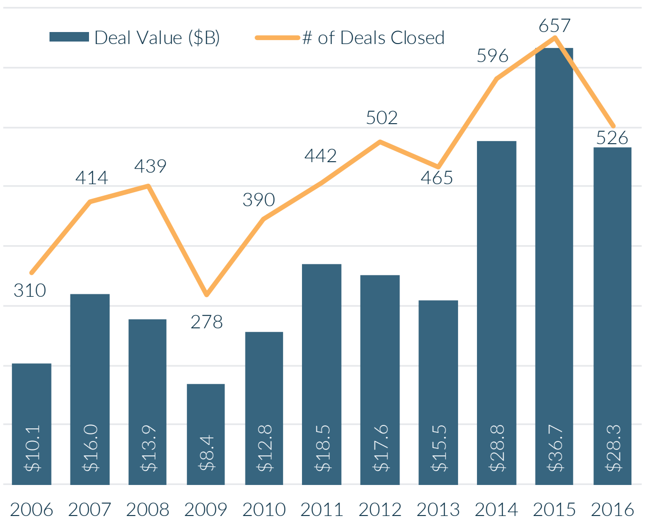
Source: PitchBook

Note: Above figures represent the number of venture investments with CVC participation and the total deal size (including non-CVCs) where at least one CVC participated. See Methodology on page 22 for more details.

Growth equity

Growth equity dips in 2016

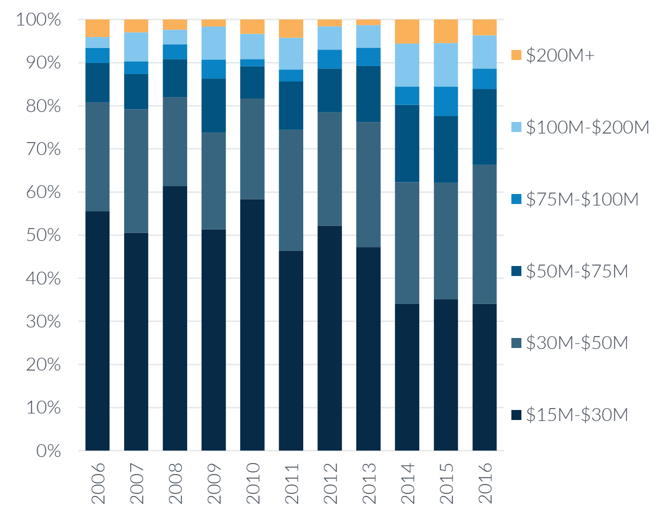
US growth equity activity



Source: PitchBook

$200M+ deals make up 4% of deals

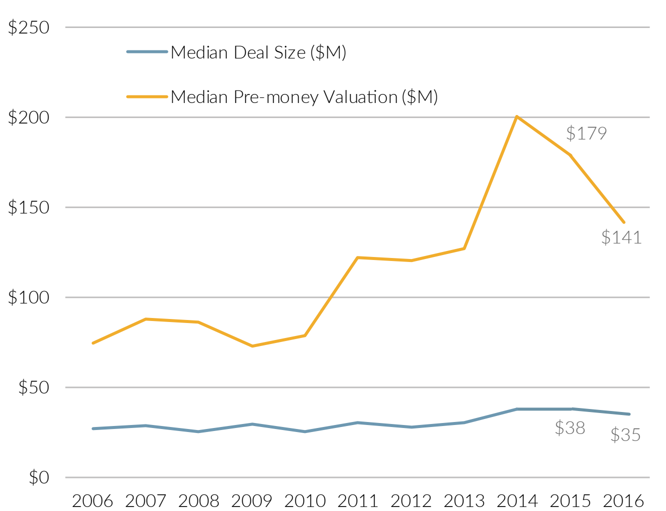
US growth equity activity (#) by deal size



Source: PitchBook

Medians drop for size and valuation

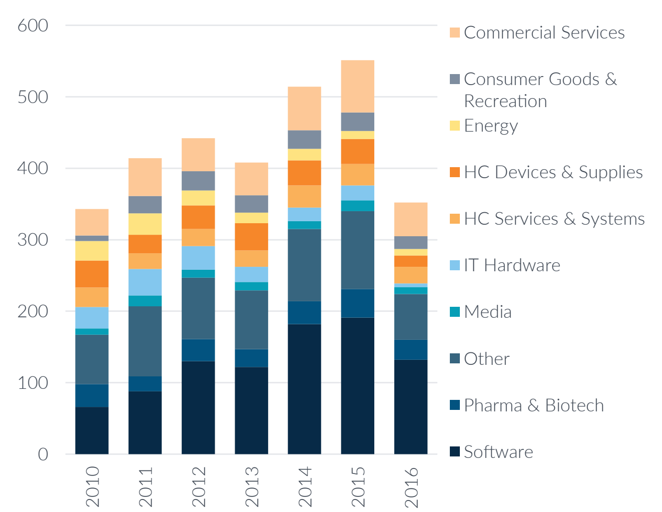
US growth equity deal size metrics



Source: PitchBook

Software sees lowest total in 3 years

US growth equity activity (#) by sector



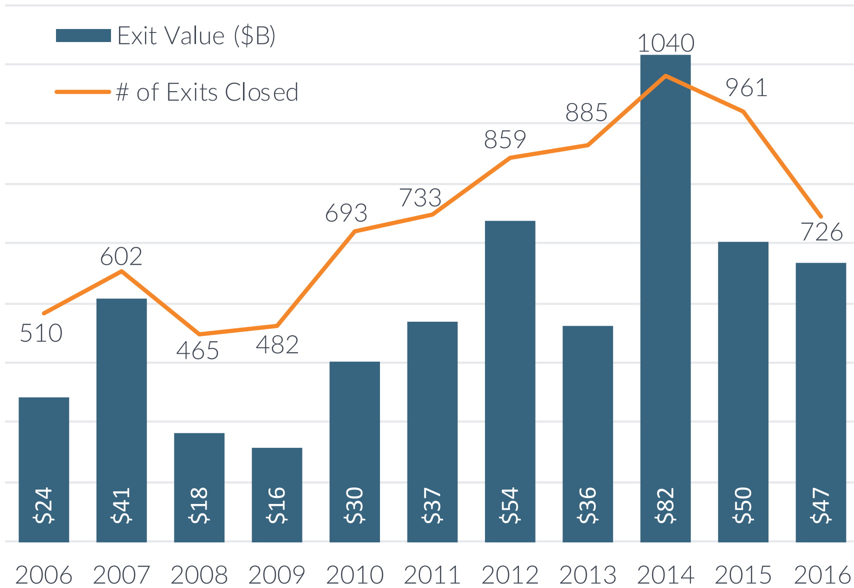
Source: PitchBook

Note: Growth equity is not included as a subset of overall VC data, but is rather its own unique dataset. See the Methodology, page 22, for more details on this particular category.

Exits

Exit value nearly equals 2015

US venture-backed exit activity



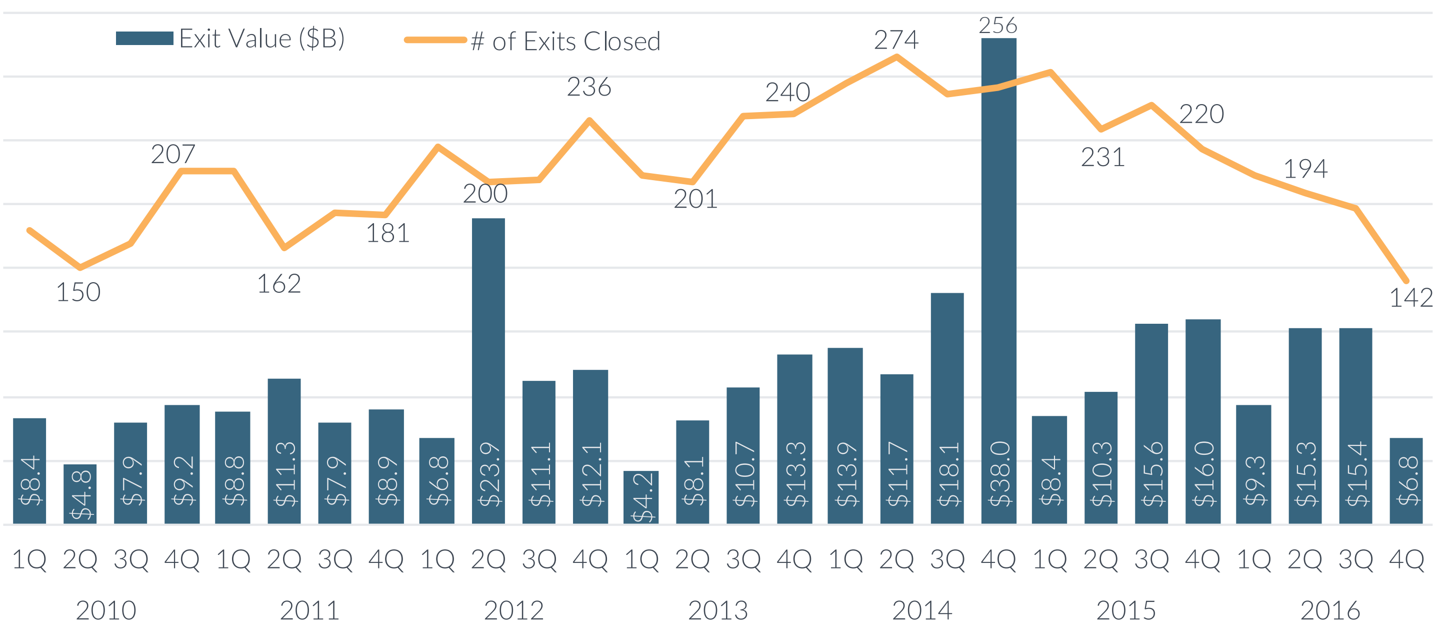
Source: PitchBook

Despite deal flow retracting a significant amount over the past year, investments outpaced exits by an 11.2x multiple, the highest we've seen in a decade. This metric clearly exemplifies the sluggish VC-backed exit market we've seen play out over the past year, as that figure came in higher than both 2014 and 2015, two years during which we saw much heavier deal flow and would expect to have a higher investment to exit ratio. Further, with just 726 VC-backed exits completed during the year, 2016 saw the lowest exit count since 2010, leaving a significant amount of VC value yet to be realized.

Of the $46.8 billion exited in 2016, roughly 59% ($27.6 billion) was exited via $500 million+ transactions, the largest percentage of capital produced from the size bucket in over a decade. Median exit sizes scaled 30% higher YoY to a new recent high of $84.5

Exit activity continues dramatic slide

US venture-backed exit activity



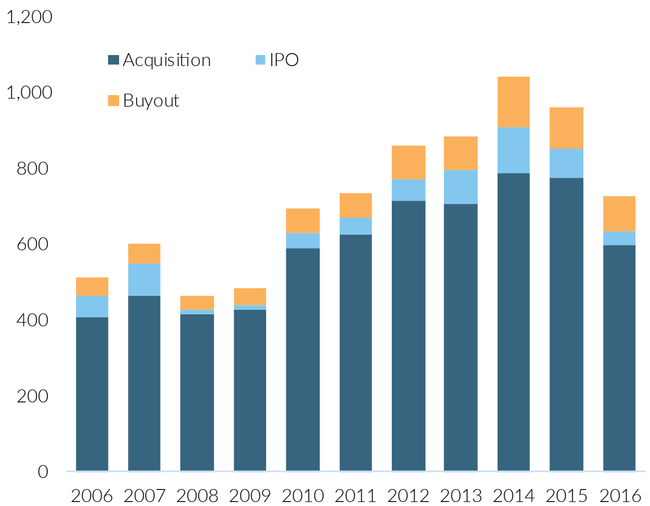
Source: PitchBook

million, reflecting a combination of both the bump in valuations that have continued to creep higher, as well as an increasing number of aging companies that have been able to grow and complete exits further along in their lifecycles.

Corporate acquisitions have continued to account for the largest portion of VC-backed exits, accounting for 82% overall, followed by PE buyouts at 13%. Strategics outside of tech have been able to turn to the venture market to locate companies to serve for purposes of both technological innovation and operational finetuning, helping streamline various back-end processes and harness new/innovative business models. Walmart and Unilever can serve as examples with their massive respective purchases of Jet and Dollar Shave Club.

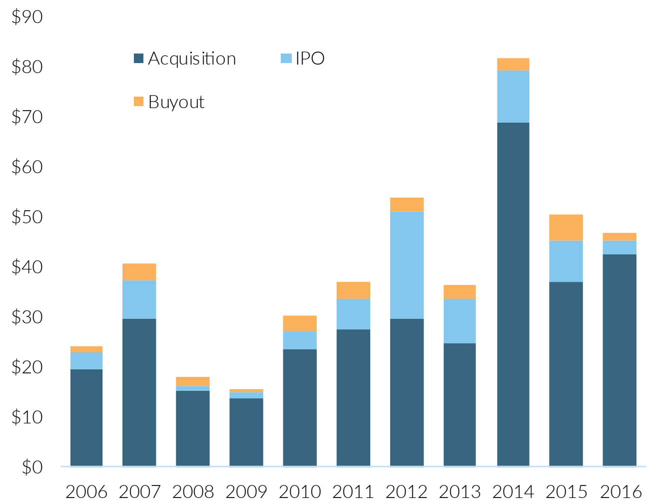
Moving forward, strategics will likely continue to serve as the primary exit route, and depending on how the public markets continue to perform, investors will need to be patient before embarking on expensive IPO processes. Further, we've seen major players in the PE world such as Vista Equity Partners and KKR raise rather large, multibillion-dollar funds to focus on tech investments. While some of these transactions could come in the form of growth rounds, or take-privates, aging venture companies should serve as enticing opportunities as PE can help them become increasingly efficient operators, and ultimately sponsor a future exit.

US venture-backed exits (#) by type



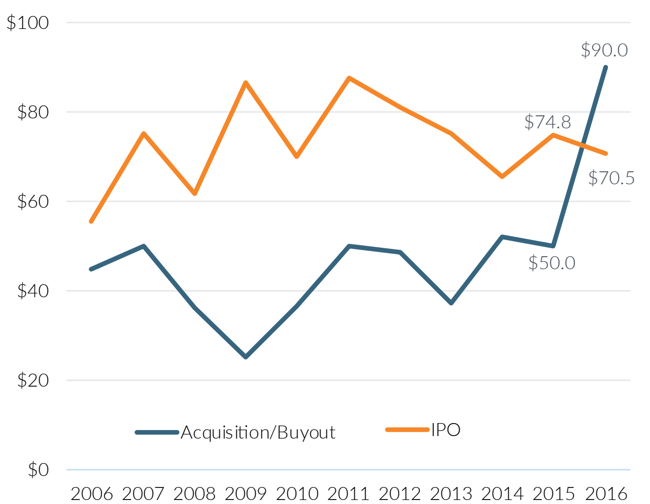
Source: PitchBook
Note: M&A value is based on disclosed/reported figures.

US venture-backed exits ($) by type



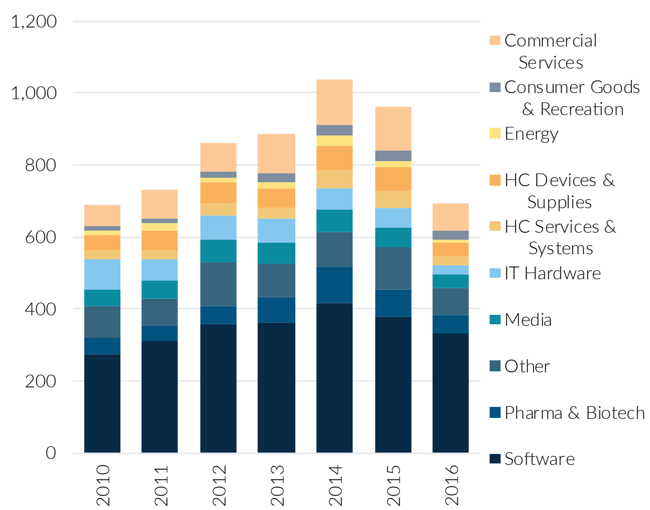
Source: PitchBook

Median US venture-backed exit size ($M) by type



Source: PitchBook

US venture-backed exits (#) by sector

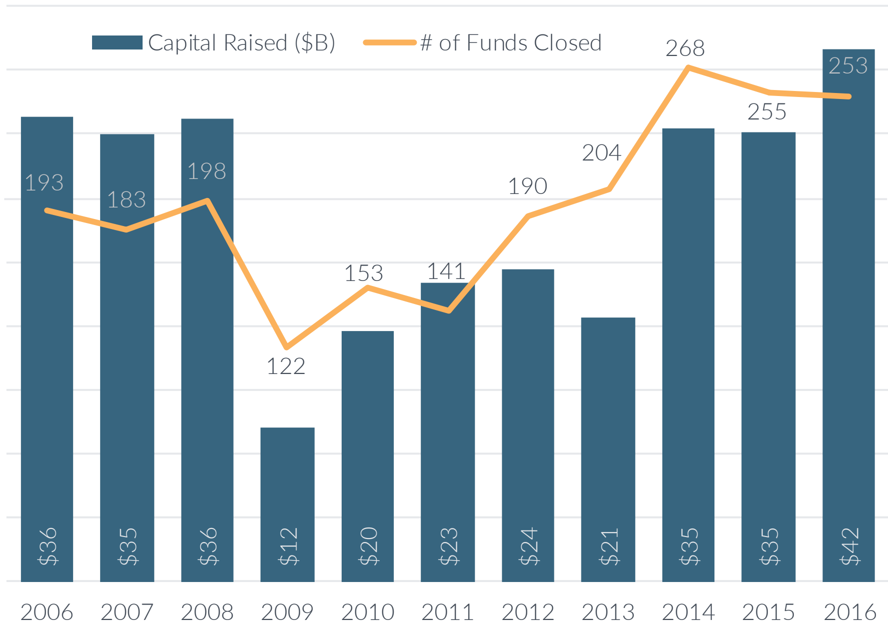


Source: PitchBook

Fundraising

2016 a banner year for VC fundraising

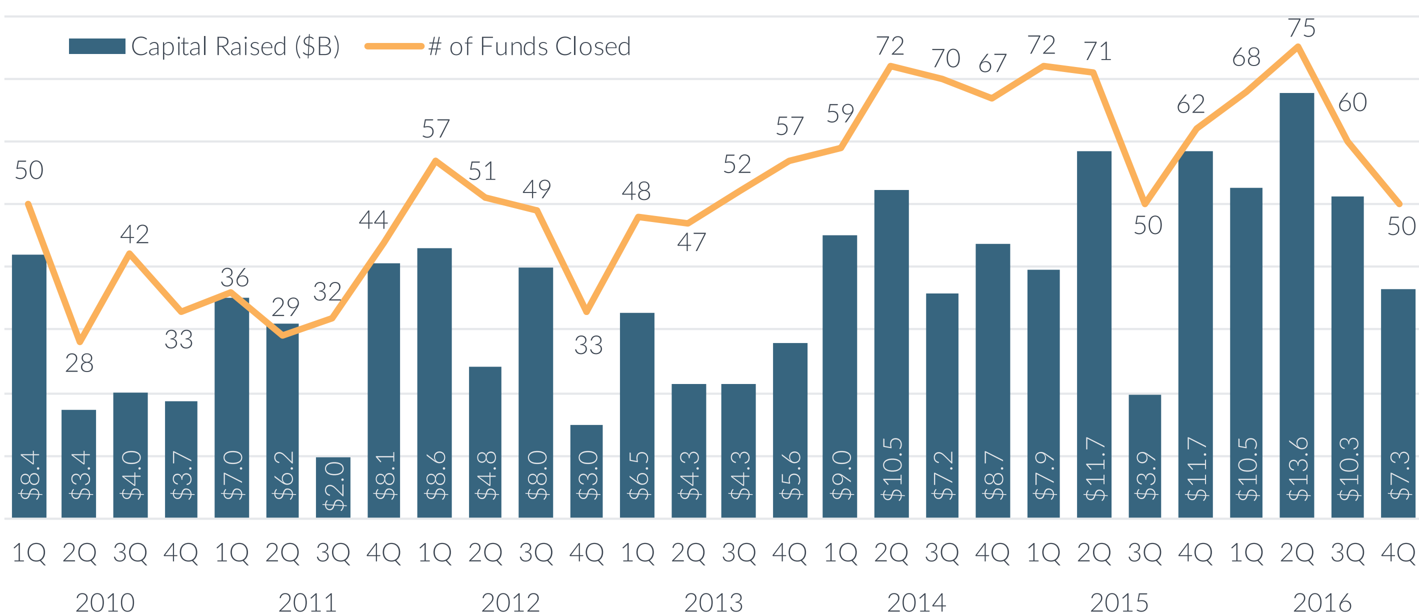
US VC fundraising by year



Source: PitchBook

Fundraising tailed off toward year's end

US VC fundraising by quarter

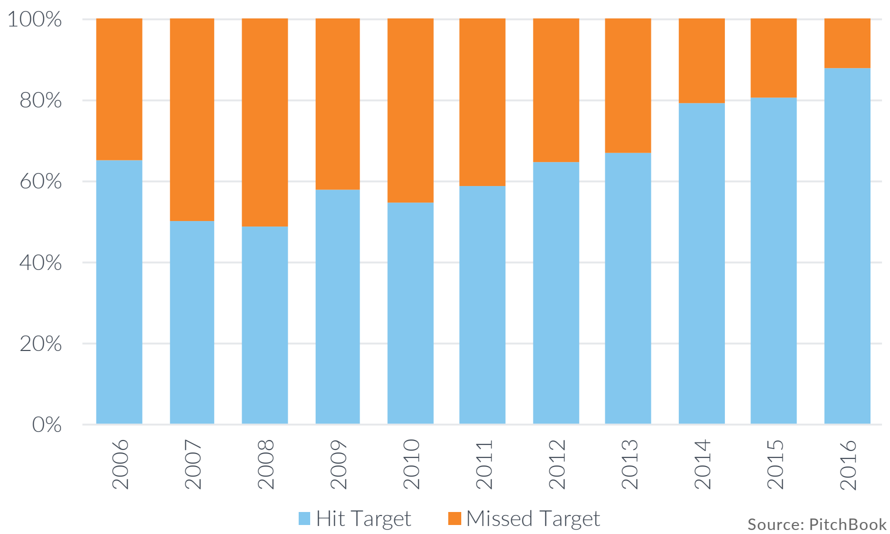


Source: PitchBook

2016 saw the highest amount of venture capital raised for funds in at least a decade, and by a decent margin. Nearly $42 billion was raised across 253 vehicles during the year, well above the $35 billion raised over 255 funds in 2015. The increase in deal sizes over the past several years could have been a major driver for the record haul. Oversized VC funds will allow investors to continue investing at these elevated sums when the right opportunity presents itself, while also allowing for follow-on investments where needed. In many cases when comparing quarterly or yearly numbers, a few outlying amounts could easily skew the ratio, but the growth of capital raised in 2016 came from a well-rounded field of funds, albeit with a concentration toward the top. Seven vehicles closed on at least $1 billion in commitments, but the median fund size grew to $75 million in 2016, more than $35 million higher than in 2015 and the highest median since 2008.

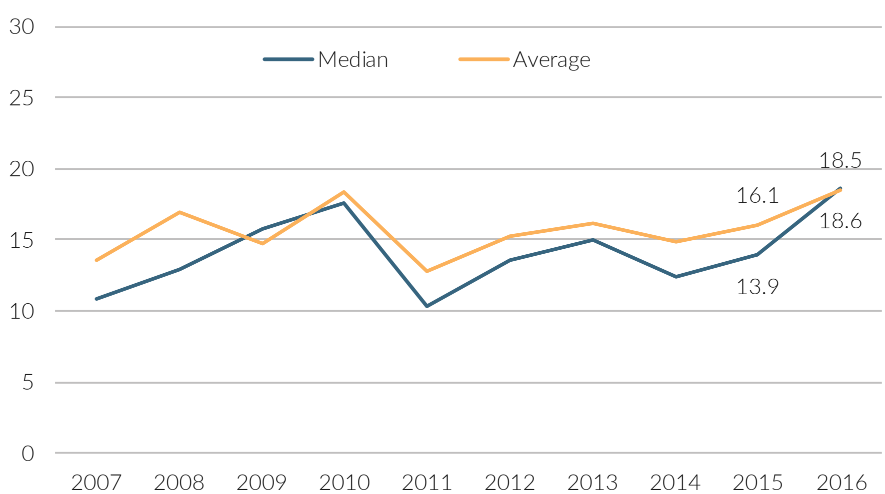
Another contributing factor to the amount raised this year may simply be timing. Both

US VC funds (#) hitting target



Source: PitchBook

US VC funds' time to close (months)

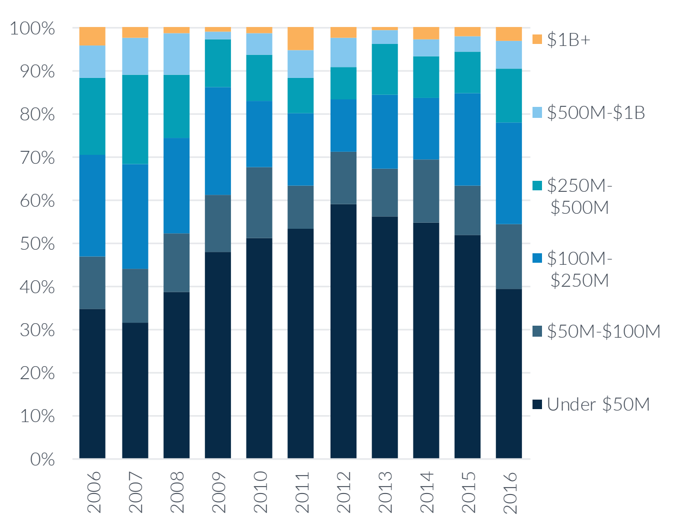


Source: PitchBook

the median and average time to close for VC funds in 2016 came in at roughly 18 months, which would put the inception of even the most recently closed funds back into the VC boom-time of mid-2015. From the beginning of the fundraising process, GPs would have been able to provide LPs with either solid cash returns (2014 and 2015 saw a combined $132 billion in exit value), or have the data to show that the previous funds are doing well and sitting on large paper gains (the median VC fund IRR for 2013 vintage is more than 16%). The venture industry's exploits of the past few years weren't cornered by established GPs, either: First-time funds raised more than $2.2 billion in commitments during 2016, the largest amount by first-time managers since 2008.

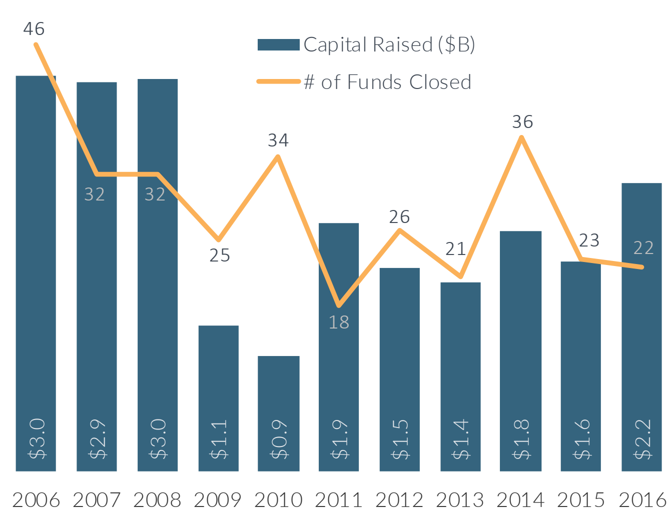
The current fundraising cycle could for the most part be over, given that so much has been committed and much less has made its way back to LPs through exits in 2016. With that said, LPs could look to adjust their manager selection processes and consolidate the number of VCs they spread their money to. Thus, while fewer managers might be on the fundraising trail in 2017, the $112 billion that has been committed to US VC funds over the past three years should be able to sustain the current dealmaking environment and provide ample capital opportunities for worthy companies.

US VC fundraising (#) by size



Source: PitchBook

US first-time VC funds by year



Source: PitchBook

4Q 2016 League Tables

Most active investors
Angel/seed

Investor	Deals
500 Startups	10
Keiretsu Forum	10
Founder Collective	6
Index Ventures	6
First Round Capital	5
Innovation Works	5
M25 Group	5
SV Angel	5
Y Combinator	5
Alliance of Angels	4
Bessemer Venture Partners	4
BoxGroup	4
Data Collective	4
Eniac Ventures	4
General Catalyst Partners	4
Greycroft Partners	4
Initialized Capital	4
Presence Capital	4
Rough Draft Ventures	4
Techstars	4
True Ventures	4

Source: PitchBook

Most active investors
Early stage

Investor	Deals
GV	10
Union Square Ventures	9
Index Ventures	8
Andreessen Horowitz	7
ARCH Venture Partners	7
Kleiner Perkins Caufield & Byers	7
SV Angel	7
True Ventures	7
Canaan Partners	6
Lightspeed Venture Partners	6
Third Wave Digital	6
Keiretsu Capital	6
Accel Partners	5
Bloomberg Beta	5
Chicago Ventures	5
General Catalyst Partners	5
Hyde Park Venture Partners	5
Intel Capital	5
New Enterprise Associates	5
Sequoia Capital	5

Source: PitchBook

Most active investors
Late stage

Investor	Deals
Andreessen Horowitz	6
Bessemer Venture Partners	5
Intel Capital	5
Khosla Ventures	5
Lightspeed Venture Partners	5
Menlo Ventures	5
Canaan Partners	4
General Catalyst Partners	4
InterWest Partners	4
New Enterprise Associates	4
Sequoia Capital	4
SharesPost	4
Spark Capital	4

Source: PitchBook

Top 10 largest US venture financings in 4Q 2016

Company	Deal size ($M)	Series/Stage	Date	HQ City	State	Industry
Opendoor	$210	Series D	11/28/2016	San Francisco	CA	Software
Payoneer	$180	Series E	10/3/2016	New York	NY	Financial Software
Stripe	$150	Series D	11/25/2016	San Francisco	CA	Software
Postmates	$141	Serie E	10/24/2016	San Francisco	CA	Software
OfferUp	$130	Series C1	11/16/2016	Bellevue	WA	Software
Zymergen	$130	Series B	10/11/2016	Emeryville	CA	Business Products
Memebox	$125,95	Series C	12/15/2016	San Francisco	CA	Retail
Unity Biotechnology	$116	Series B	10/27/2016	San Francisco	CA	Pharma & Biotech
JetSmarter	$105	Series C	12/12/2016	Fort Lauderdale	FL	Software
Zibby	$103	Early Stage	12/15/2016	New York	NY	Software

Source: PitchBook

Top 10 largest US venture funds closed in 4Q 2016

Investor	Fund	Fund size ($M)	Close date	State
Greylock Partners	Greylock XIV	$1,105	10/11/2016	CA
Sofinnova Ventures	Sofinnova Venture Partners X	$650	10/17/2016	CA
Third Rock Ventures	Third Rock Ventures IV	$616	10/31/2016	MA
Spark Capital	Spark Capital Growth Fund II	$600	11/15/2016	MA
Spark Capital	Spark Capital V	$400	11/15/2016	MA
Tola Capital	Tola Capital Partners I	$295	11/14/2016	WA
Flagship Ventures	Flagship Ventures Opportunities Fund I	$285	12/15/2016	IL
Ascension Ventures	CHV IV	$255	11/23/2016	MO
Wing Venture Capital	Wing Two	$250	12/7/2016	CA
Data Collective	Data Collevtive IV	$212	12/29/2016	CA

Source: PitchBook

Top five largest IPOs of US-based companies in 4Q 2016

Company	Total raised ($M)	Post-valuation ($M)	Date	HQ City	State	Industry
Coupa Software	$133.2	$732.8	10/6/2016	San Mateo	CA	Software
AquaVenture Holdings	$117	$340.4	10/6/2016	Tampa	FL	Utilities
Quantenna Communications	$107	$417.3	10/28/2016	Fremont	CA	Semiconductors
iRhythm Technologies	$107	$252.1	10/20/2016	San Francisco	CA	Healthcare Devices & Supplies
Ra Pharmaceuticals	$91.6	$187.7	10/26/2016	Cambridge	CA	Pharma & Biotech

Source: PitchBook

Top five largest mergers and acquisitions of US-based companies in 4Q 2016

Company	Deal size ($M)	Date	HQ City	State	Industry
Chase Pharmaceuticals	$1,000	11/22/2016	Washington	DC	Pharma & Biotech
Krux Digital	$800	12/15/2016	San Francisco	CA	Software
Seventh Generation	$700	10/1/2016	Burlington	VT	Consumer Products
Selexys	$665	11/21/2016	Oklahoma City	OK	Pharma & Biotech
Dyn	$650	11/22/2016	Manchester	NH	Software

Source: PitchBook

States & territories by VC activity in 4Q 2016

State	Deal count
California	587
New York	192
Massachusetts	131
Texas	106
Washington	81
Colorado	58
Illinois	47
North Carolina	40
Florida	40
Ohio	39
Pennsylvania	35
Utah	28
Georgia	27
Maryland	26
Arizona	26
Virginia	26
Tennessee	21
New Jersey	20
Indiana	19
Oregon	18
Minnesota	17
Connecticut	14
Wisconsin	14
Michigan	14
Nevada	11
Washington DC	11
Missouri	10
Rhode Island	7
Alabama	7
South Carolina	7
Kentucky	6
New Hampshire	6
Montana	6
Delaware	5

States & territories by VC activity in 4Q 2016, ctd.

State	Deal count
Arkansas	5
North Dakota	4
Idaho	4
Vermont	3
Iowa	3
Oklahoma	3
Nebraska	3
Kansas	2
Puerto Rico	2
New Mexico	2
Maine	2
Mississippi	2
Hawaii	2
South Dakota	2
West Virginia	1
Wyoming	1
Louisiana	1

Source: PitchBook

Top 10 Metropolitan Statistical Area (MSA) activity in 4Q 2016

MSA	Deal Count
San Francisco-Oakland-Fremont, CA	303
New York-Northern New Jersey-Long Island, NY-NJ-PA	199
Boston-Cambridge-Quincy, MA-NH	132
Los Angeles-Long Beach-Santa Ana, CA	105
San Jose-Sunnyvale-Santa Clara, CA	97
Seattle-Tacoma-Bellevue, WA	77
San Diego-Carlsbad-San Marcos, CA	46
Austin-Round Rock, TX	46
Chicago-Naperville-Joliet, IL-IN-WI	45
Washington-Arlington-Alexandria, DC-VA-MD-WV	35

Source: PitchBook

Top Congressional districts by VC activity in 4Q 2016

State	Congressional District	Deal count
California	12	140
New York	12	80
California	18	71
California	14	58
New York	10	48
Washington	7	43
Massachusetts	7	41
California	17	36
California	52	31
Massachusetts	5	28
California	33	26
Illinois	7	25
Texas	21	24
North Carolina	4	22
California	13	21
Colorado	2	21
Massachusetts	8	17
California	49	14
Washington	1	12
California	34	11
Colorado	1	11
California	37	10
California	45	10
Pennsylvania	14	10
Tennessee	5	10
Utah	3	10
District of Columbia	N/A	10

Source: PitchBook

Methodology

Fundraising

We define venture capital funds as pools of capital raised for the purpose of investing in the equity of startup companies. In addition to funds raised by traditional venture capital firms, PitchBook also includes funds raised by any institution with the primary intent stated above. Funds identifying as growth-stage vehicles are classified as PE funds and are not included in this report. A fund's location is determined by the country in which the fund is domiciled, if that information is not explicitly known, the HQ country of the fund's general partner is used. Only funds based in the United States that have held their final close are included in the fundraising numbers. The entirety of a fund's committed capital is attributed to the year of the final close of the fund. Interim close amounts are not recorded in the year of the interim close.

Deals

We include equity investments into startup companies from an outside source. Investment does not necessarily have to be taken from an institutional investor. This can include investment from individual angel investors, angel groups, seed funds, venture capital firms, corporate venture firms, and corporate investors. Investments received as part of an accelerator program are not included, however, if the accelerator continues to invest in follow-on rounds, those further financings are included. All financings are of companies headquartered in the US.

Angel/seed: We define financings as angel rounds if there are no PE or VC firms involved in the company to date and we cannot determine if any PE or VC firms are participating. In addition, if there is a press release that states the round is an angel round, it is classified as such. Finally, if a news story or press release only mentions individuals making investments in a financing, it is also classified as angel. As for seed, when the investors and/or press release state that a round is a seed financing, or it is for less than $500,000 and is the first round as reported by a government filing, it is classified as such. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.

Early-stage: Rounds are generally classified as Series A or B (which we typically aggregate together as early stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.

Late-stage: Rounds are generally classified as Series C or D or later (which we typically aggregate together as late stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.

Growth equity: Rounds must include at least one investor tagged as growth/expansion, while deal size must either be $15 million or more (although rounds of undisclosed size that meet all other criteria are included). In addition, the deal must be classified as growth/expansion or later-stage VC in the PitchBook Platform. If the financing is tagged as late-stage VC it is included regardless of industry. Also, if a company is tagged with any PitchBook vertical, excepting manufacturing and infrastructure, it is kept. Otherwise, the following industries are excluded from growth equity financing calculations: buildings and property, thrifts and mortgage finance, real estate investment trusts, and oil & gas equipment, utilities, exploration, production and refining. Lastly, the company in question must not have had an M&A event, buyout, or IPO completed prior to the round in question.

Corporate venture capital: Financings classified as corporate venture capital include rounds that saw both firms investing via established CVC arms or corporations making equity investments off balance sheets or whatever other non-CVC method actually employed.

Exits

We include the first majority liquidity event for holders of equity securities of venture-backed companies. This includes events where there is a public market for the shares (IPO) or the acquisition of majority of the equity by another entity (corporate or financial acquisition). This does not include secondary sales, further sales after the initial liquidity event, or bankruptcies. M&A value is based on reported or disclosed figures, with no estimation used to assess the value of transactions for which the actual deal size is unknown.

The 411 on the PitchBook and National Venture Capital Association (NVCA) partnership

Why we teamed up

NVCA is recognized as the go-to organization for venture capital advocacy, and the statistics we release are the industry standard. PitchBook is the leading data software provider for venture capital professionals, serving more than 1,800 clients across the private market. Our partnership with PitchBook empowers us to unlock more insights on the venture ecosystem and better advocate for an ever-evolving industry.

Meet the PitchBook-NVCA Venture Monitor

A brand-new, quarterly report that details venture capital activity and delivers insights to inform your investment strategy. PitchBook's data will also bolster our year-in-review publication.

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Fundraise faster with targeted searches for limited partners who will likely be interested in your fund.

Conduct better due diligence by diving deep into a company's round-by-round financing history, executive team and market traction.

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Find promising investors quickly by zeroing in on other firms or strategic acquirers whose investment preferences match your portfolio company.

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